

**BOARD OF EDUCATION
BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Leon, Kansas**

**Financial Statements
June 30, 2010**

**with
Independent Auditors' Report**

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Financial Statements
Year Ended June 30, 2010
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Financial Statements
Year Ended June 30, 2010
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INDEPENDENT AUDITORS' REPORT

Board of Education
Bluestem Unified School District No. 205
Leon, Kansas

We have audited the accompanying financial statements of the individual funds of Bluestem Unified School District No. 205, Leon, Kansas, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Kansas Municipal Audit Guide, auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the District's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of each of the various funds of Bluestem Unified School District No. 205, Leon, Kansas, as of June 30, 2010, and the revenues received and expenditures paid of such funds for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2011, on our consideration of Unified School District No. 205's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of Unified School District No. 205, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole.

This report is intended solely for the use of the management of Unified School District No. 205, the Kansas Department of Education, and other federal awarding agencies and pass-through agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by Unified School District No. 205, is a matter of public record.

Peterson Peterson & Sons LC

January 6, 2011

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Summary of Cash Receipts, Expenditures and Unencumbered Cash
Year Ended June 30, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Ending Cash Balance
General	\$ (288,099)	\$ -	\$ 4,602,050	\$ 4,585,265	\$ (271,314)	\$ 15,190	\$ (256,124)
Supplemental General	(134,948)		1,332,485	1,311,902	(114,365)	12,037	(102,328)
Special Revenue:							
At Risk (K-12)	-		74,732	74,732	-	-	-
Capital Outlay	701,802		424,064	649,833	476,033	-	476,033
Contingency Reserve	315,330		-	-	315,330	-	315,330
Driver Training	13,972		12,710	12,500	14,182	-	14,182
Food Service	42,713		247,755	252,372	38,096	412	38,508
KPERS Special Retirement Contribution	-		265,771	265,771	-	-	-
Professional Development	38,429		199	1,021	37,607	225	37,832
Special Education	138,050		673,073	678,859	132,264	-	132,264
Vocational Education	5,634		295,558	301,192	-	400	400
Textbook Rental and Student Material Revolving	26,763		27,110	24,592	29,281	1,030	30,311
Auditorium Renovation	596		112	84	624	-	624
District Activity	-		9,247	7,347	1,900	-	1,900
Gifts and Grants	1,687		10,410	9,133	2,964	-	2,964
Rural School Achievement Grant	-		29,333	29,333	-	-	-
Federal Projects:							
Title I	-		77,485	77,485	-	52	52
Drug Free Education	-		1,750	1,750	-	-	-
Title IIA	-		28,793	28,793	-	-	-
Character First	63		-	63	-	-	-
Title IID	-		2,269	2,269	-	-	-
Debt Service:							
Bond and Interest	942,273		638,558	644,015	936,816	-	936,816
Capital Projects:							
Capital Improvement	-		1,300,000	1,300,000	-	-	-
Expendable Trust:							
Flexible Spending Account	-		35,910	32,923	2,987	-	2,987
Total Reporting Entity	<u>\$ 1,804,265</u>	<u>\$ -</u>	<u>\$ 10,089,374</u>	<u>\$ 10,291,234</u>	<u>\$ 1,602,405</u>	<u>\$ 29,346</u>	<u>\$ 1,631,751</u>

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Summary of Cash Receipts, Cash Disbursements and Unencumbered Cash
Year Ended June 30, 2010

Composition of Cash:

Checking Accounts - State Bank of Leon (excess of outstanding checks over bank balance)	\$ (156,542)
Money Market Accounts - State Bank of Leon	1,620,139
Petty Cash Checking Account - State Bank of Leon	600
Certificates of Deposit - State Bank of Leon	422,468
Payroll Clearing	<u>(164,936)</u>
Total Cash	1,721,729

Agency Funds per Statement 4	<u>(89,978)</u>
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Total Reporting Entity (Excluding Agency Funds)	<u><u>\$ 1,631,751</u></u>
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The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205

Summary of Expenditures - Actual and Budget

Year Ended June 30, 2010

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment to Comply With Legal Max</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavorable)</u>
General	\$ 4,749,468	\$ (203,471)	\$ 39,268	\$ 4,585,265	\$ 4,585,265	\$ -
Supplemental General	1,323,654			1,323,654	1,311,902	11,752
Special Revenue:						
At Risk (K-12)	400,062			400,062	74,732	325,330
Capital Outlay	800,000			800,000	649,833	150,167
Driver Training	12,500			12,500	12,500	-
Food Service	352,001			352,001	252,372	99,629
KPERS Special Retirement Contribution	319,673			319,673	265,771	53,902
Professional Development	35,000			35,000	1,021	33,979
Special Education	698,051			698,051	678,859	19,192
Vocational Education	307,634			307,634	301,192	6,442
Debt Service:						
Bond and Interest	651,275			651,275	644,015	7,260

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 463,890	\$ 466,451	\$ 2,561
Delinquent tax	9,199	24,837	15,638
Mineral production tax	-	965	965
Federal Aid:			
ARRA stabilization funds	227,494	227,494	-
State Aid:			
Equalization aid	3,346,614	3,323,359	(23,255)
Special education aid	498,800	519,676	20,876
Reimbursements (net \$2,265 state aid, \$88 federal aid)	39,268	39,268	-
Total Cash Receipts	<u>4,585,265</u>	<u>4,602,050</u>	<u>16,785</u>
Expenditures:			
Instruction	2,275,000	2,174,409	100,591
Student support services	238,500	232,461	6,039
Instructional support services	261,200	262,890	(1,690)
General administration	308,100	235,026	73,074
School administration	437,200	334,677	102,523
Operation and maintenance	316,752	368,464	(51,712)
Student transportation services	312,360	237,606	74,754
Transfers to:			
At Risk (K-12) Fund	95,000	69,732	25,268
Driver Training Fund	3,446	-	3,446
Special Education Fund	501,910	520,000	(18,090)
Vocational Education Fund	-	150,000	(150,000)
Adjustment to comply with legal max	(203,471)	-	(203,471)
Legal General Fund Budget	<u>4,545,997</u>	<u>4,585,265</u>	<u>(39,268)</u>
Adjustment for qualifying budget credits	39,268	-	39,268
Total Expenditures	<u>4,585,265</u>	<u>4,585,265</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	16,785	16,785
Unencumbered Cash, Beginning	<u>-</u>	<u>(288,099)</u>	<u>(288,099)</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ (271,314)</u>	<u>\$ (271,314)</u>

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
 Supplemental General Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 573,511	\$ 586,537	\$ 13,026
Delinquent tax	8,994	26,738	17,744
Motor vehicle tax	132,127	90,244	(41,883)
Federal Aid:			
ARRA stabilization funds	-	157,929	157,929
State Aid:			
Supplemental state aid	609,022	471,037	(137,985)
Total Cash Receipts	<u>1,323,654</u>	<u>1,332,485</u>	<u>8,831</u>
Expenditures:			
Instruction	160,000	744,769	(584,769)
School administration	52,000	-	52,000
Operations and maintenance	218,592	139,379	79,213
Student transportation services	93,000	126,214	(33,214)
Transfers to:			
At Risk (K-12) Fund	305,062	5,000	300,062
Food Service Fund	60,000	17,816	42,184
Special Education Fund	185,000	153,073	31,927
Vocational Education Fund	250,000	125,651	124,349
Total Expenditures	<u>1,323,654</u>	<u>1,311,902</u>	<u>11,752</u>
Receipts Over (Under) Expenditures	-	20,583	20,583
Unencumbered Cash, Beginning	<u> </u>	<u>(134,948)</u>	<u>(134,948)</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ (114,365)</u>	<u>\$ (114,365)</u>

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
At Risk (K-12) Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Transfers from:			
General Fund	\$ 95,000	\$ 69,732	\$ (25,268)
Supplemental General Fund	305,062	5,000	(300,062)
Total Cash Receipts	<u>400,062</u>	<u>74,732</u>	<u>(325,330)</u>
Expenditures:			
Instruction	400,062	74,732 *	325,330
Total Expenditures	<u>400,062</u>	<u>74,732</u>	<u>325,330</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* - \$228,976 At Risk State aid was expended in Vocational Education Fund

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
 Capital Outlay Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 107,905	\$ 105,860	\$ (2,045)
Delinquent tax	2,107	6,123	4,016
Motor vehicle tax	30,828	21,087	(9,741)
Interest earnings	38,000	22,802	(15,198)
E-rate	-	22,708	22,708
Federal aid - RUS Grant	-	26,187	26,187
Insurance reimbursements	-	17,989	17,989
Sale of Building Trades house	-	138,245	138,245
Other	-	503	503
Transfer from Capital Improvement Fund	-	62,560	62,560
Total Cash Receipts	<u>178,840</u>	<u>424,064</u>	<u>245,224</u>
Expenditures:			
Equipment and furnishings	800,000	587,781	212,219
Building Trades construction costs	-	62,052	(62,052)
Total Expenditures	<u>800,000</u>	<u>649,833</u>	<u>150,167</u>
Receipts Over (Under) Expenditures	(621,160)	(225,769)	395,391
Unencumbered Cash, Beginning	<u>720,258</u>	<u>701,802</u>	<u>(18,456)</u>
Unencumbered Cash, Ending	<u>\$ 99,098</u>	<u>\$ 476,033</u>	<u>\$ 376,935</u>

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Contingency Reserve Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2010

Unencumbered Cash, Beginning	\$ 315,330
Unencumbered Cash, Ending	<u>\$ 315,330</u>

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
 Driver Training Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Cash Receipts:			
State aid	\$ 2,000	\$ 1,462	\$ (538)
Other	3,000	11,248	8,248
Transfer from General Fund	<u>3,446</u>	<u>-</u>	<u>(3,446)</u>
Total Cash Receipts	8,446	12,710	4,264
Expenditures:			
Instruction	12,500	11,473	1,027
Operation and maintenance	<u>-</u>	<u>1,027</u>	<u>(1,027)</u>
Total Expenditures	<u>12,500</u>	<u>12,500</u>	<u>-</u>
Receipts Over (Under) Expenditures	(4,054)	210	4,264
Unencumbered Cash, Beginning	<u>13,972</u>	<u>13,972</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 9,918</u>	<u>\$ 14,182</u>	<u>\$ 4,264</u>

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Food Service Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
State aid	\$ 4,185	\$ 2,524	\$ (1,661)
Federal aid	121,259	127,111	5,852
Charges for services	165,620	100,304	(65,316)
Transfer from Supplemental General Fund	60,000	17,816	(42,184)
Total Cash Receipts	351,064	247,755	(103,309)
Expenditures:			
Food service operation	352,001	252,372	99,629
Receipts Over (Under) Expenditures	(937)	(4,617)	(3,680)
Unencumbered Cash, Beginning	42,712	42,713	1
Unencumbered Cash, Ending	\$ 41,775	\$ 38,096	\$ (3,679)

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
 KPERS Special Retirement Contribution Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
State aid	\$ 319,673	\$ 265,771	\$ (53,902)
Expenditures:			
Instruction	191,803	176,559	15,244
Student support	17,000	16,195	805
Instructional support	15,000	13,647	1,353
General administration	14,000	9,775	4,225
School administration	29,870	19,220	10,650
Operations and maintenance	22,000	14,062	7,938
Student transportation services	20,000	11,177	8,823
Food service	10,000	5,136	4,864
Total Expenditures	<u>319,673</u>	<u>265,771</u>	<u>53,902</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Professional Development Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Other	\$ -	\$ 199	\$ 199
Expenditures:			
Support services (net \$35 state aid)	35,000	1,021	33,979
Receipts Over (Under) Expenditures	(35,000)	(822)	34,178
Unencumbered Cash, Beginning	38,430	38,429	(1)
Unencumbered Cash, Ending	\$ 3,430	\$ 37,607	\$ 34,177

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Special Education Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Transfers from:			
General Fund	\$ 501,910	\$ 520,000	\$ 18,090
Supplemental General Fund	185,000	153,073	(31,927)
Total Cash Receipts	<u>686,910</u>	<u>673,073</u>	<u>(13,837)</u>
Expenditures:			
Instruction	631,235	635,935	(4,700)
Student transportation services	66,816	42,924	23,892
Total Expenditures	<u>698,051</u>	<u>678,859</u>	<u>19,192</u>
Receipts Over (Under) Expenditures	(11,141)	(5,786)	5,355
Unencumbered Cash, Beginning	<u>138,051</u>	<u>138,050</u>	<u>(1)</u>
Unencumbered Cash, Ending	<u><u>\$ 126,910</u></u>	<u><u>\$ 132,264</u></u>	<u><u>\$ 5,354</u></u>

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Vocational Education Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Other	\$ 52,000	\$ 19,907	\$ (32,093)
Transfers from:			
General Fund	-	150,000	150,000
Supplemental General Fund	250,000	125,651	(124,349)
Total Cash Receipts	302,000	295,558	(6,442)
Expenditures:			
Instruction	307,634	301,192 *	6,442
Receipts Over (Under) Expenditures	(5,634)	(5,634)	-
Unencumbered Cash, Beginning	5,634	5,634	-
Unencumbered Cash, Ending	\$ -	\$ -	\$ -

* Contains \$228,976 of At Risk expenditures

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Textbook Rental and Student Material Revolving Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2010

Cash Receipts:

Textbook rental, fees	\$ 24,354
Shop fees and projects	<u>2,756</u>
Total Cash Receipts	<u>27,110</u>

Expenditures:

Textbook purchases, supplies	<u>24,592</u>
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Receipts Over (Under) Expenditures	2,518
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Unencumbered Cash, Beginning	<u>26,763</u>
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Unencumbered Cash, Ending	<u><u>\$ 29,281</u></u>
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The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Auditorium Renovation Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2010

Cash Receipts:	
Interest	\$ 112
Expenditures:	
Materials, etc	<u>84</u>
Receipts Over (Under) Expenditures	28
Unencumbered Cash, Beginning	<u>596</u>
Unencumbered Cash, Ending	<u><u>\$ 624</u></u>

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Gifts and Grants Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2010

Cash Receipts:

Grants (contains \$750 federal grant)

\$ 10,410

Expenditures:

Equipment

9,133

Receipts Over (Under) Expenditures

1,277

Unencumbered Cash, Beginning

1,687

Unencumbered Cash, Ending

\$ 2,964

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Rural School Achievement Grant
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2010

Cash Receipts:

Grant

\$ 29,333

Expenditures:

Grant expenses

29,333

Receipts Over (Under) Expenditures

-

Unencumbered Cash, Beginning

-

Unencumbered Cash, Ending

\$ -

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Federal Projects Funds
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2010

	<u>Title I</u>	<u>Drug Free Education</u>	<u>Title IIA</u>	<u>Character First</u>	<u>Title IID</u>
Cash Receipts:					
Federal aid	\$ 76,885	\$ 1,750	\$ 28,793	\$ -	\$ 656
ARRA - Federal aid	600	-	-	-	1,613
Total cash receipts	<u>77,485</u>	<u>1,750</u>	<u>28,793</u>	<u>-</u>	<u>2,269</u>
Expenditures:					
Instruction and supplies	<u>77,485</u>	<u>1,750</u>	<u>28,793</u>	<u>63</u>	<u>2,269</u>
Receipts Over (Under) Expenditures	-	-	-	(63)	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Bond and Interest Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 343,118	\$ 338,987	\$ (4,131)
Delinquent tax	5,324	15,765	10,441
Motor vehicle tax	75,212	52,517	(22,695)
Cost of issuance	-	24,967	24,967
State aid	214,871	206,322	(8,549)
Total Cash Receipts	<u>638,525</u>	<u>638,558</u>	<u>33</u>
Expenditures:			
Principal	520,000	520,000	-
Interest	131,125	105,281	25,844
Commission and postage	150	18,734	(18,584)
Total Expenditures	<u>651,275</u>	<u>644,015</u>	<u>7,260</u>
Receipts Over (Under) Expenditures	(12,750)	(5,457)	7,293
Unencumbered Cash, Beginning	<u>942,272</u>	<u>942,273</u>	<u>1</u>
Unencumbered Cash, Ending	<u><u>\$ 929,522</u></u>	<u><u>\$ 936,816</u></u>	<u><u>\$ 7,294</u></u>

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Capital Projects - Capital Improvement
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2010

Cash Receipts:	
Bond proceeds	\$ 1,300,000
Expenditures:	
Construction costs	1,211,440
Bond fees	26,000
Transfer to Capital Outlay Fund	62,560
Total Expenditures	<u>1,300,000</u>
Receipts Over (Under) Expenditures	-
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Expendable Trust - Flexible Spending Account
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2010

Cash Receipts:

Employee contributions	\$ 35,910
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Expenditures:

Third party payer expenses	<u>32,923</u>
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Receipts Over (Under) Expenditures	2,987
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Unencumbered Cash, Beginning	<u>-</u>
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Unencumbered Cash, Ending	<u><u>\$ 2,987</u></u>
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The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
School Activity Funds
Statement of Cash Receipts and Cash Disbursements - Actual
Year Ended June 30, 2010

<u>Funds</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Student Organization Funds:				
Bluestem High School:				
Activities	\$ 7,592	\$ 7,325	\$ 10,993	\$ 3,924
Art	183	-	-	183
Band	456	2,607	2,098	965
Baseball	865	839	975	729
Battle Buddies	-	100	88	12
Boys Basketball	-	581	576	5
Chamber Singers	21	-	-	21
Cheerleaders	376	10,414	7,837	2,953
Class of 2005	404	-	-	404
Class of 2007	1,490	-	-	1,490
Class of 2008	596	-	-	596
Class of 2009	574	-	574	-
Class of 2010	1,130	160	771	519
Class of 2011	3,311	3,827	5,481	1,657
Class of 2012	1,899	2,112	988	3,023
Class of 2013	-	4,158	1,491	2,667
Concessions	1,128	19,723	13,910	6,941
Crime Stoppers	299	-	-	299
Cross Country	440	64	216	288
Drill Team	463	5,016	4,916	563
Driver's Ed	5,258	5,654	10,912	-
Entrepreneurship	951	1,134	827	1,258
Faculty	47	464	352	159
FCA	4	1,604	1,297	311
FCCLA	380	392	547	225
Football	850	664	764	750
Forensics/Debate	512	4,288	2,691	2,109
Girls Basketball	175	1,212	1,133	254
Interest	3,176	495	-	3,671
Library	303	986	970	319
Lion Pride Program	450	-	-	450
Madrigals	1,405	4,838	5,838	405
Newspaper	756	-	-	756
NHS	492	2,212	1,865	839
Play	1,771	2,365	2,626	1,510

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
School Activity Funds
Statement of Cash Receipts and Cash Disbursements - Actual
Year Ended June 30, 2010

<u>Funds</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Student Organization Funds (continued):				
Bluestem High School (continued)				
Production Technology	\$ 40	\$ -	\$ -	\$ 40
SADD	572	60	213	419
Sci Con	32	-	-	32
Softball	5	265	143	127
SRO	819	-	453	366
Student Council	1,115	636	1,592	159
Track	41	-	-	41
Volleyball	33	562	594	1
Weight Lifting	-	76	-	76
Work Production	300	292	166	426
Yearbook	243	7,500	6,908	835
BHS Petty Cash	921	-	-	921
BHS Meals	8	12,445	12,453	-
Golf Fundraising	2,465	1,964	1,769	2,660
BHS Building Fund	1,115	-	-	1,115
Athletics Funds	963	-	963	-
Skills USA	34	9,040	8,522	552
Staff Recognition	588	-	454	134
Civics Fund	19	17	30	6
Wrestling	735	612	706	641
Total High School	47,805	116,703	115,702	48,806
Bluestem Middle School:				
Building Activities	1,076	2,709	2,453	1,332
BMS Fundraising	1,254	9,390	7,497	3,147
Cheer Fundraising	-	2,098	1,327	771
Student Fundraisers	1,571	-	-	1,571
Read-a-thon	3,215	48	1,996	1,267
BMS Petty cash	507	545	-	1,052
STUCO	921	530	150	1,301
Pop	2,195	2,388	2,644	1,939
Eighth Grade	2,434	815	2,289	960
Staff Appreciation	250	-	250	-
Total Middle School	13,423	18,523	18,606	13,340

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
 School Activity Funds
 Statement of Cash Receipts and Cash Disbursements - Actual
 Year Ended June 30, 2010

<u>Funds</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Leon Grade School	<u>\$ 25,820</u>	<u>\$ 27,756</u>	<u>\$ 25,744</u>	<u>\$ 27,832</u>
Total Student Organization Funds	<u>\$ 87,048</u>	<u>\$ 162,982</u>	<u>\$ 160,052</u>	<u>\$ 89,978</u>

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
 District Activity Funds
 Statement of Cash Receipts, Expenditures and Unencumbered Cash
 Year Ended June 30, 2010

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Ending Cash Balance
Gate Receipts:						
Athletics -						
Bluestem High School	\$ 16,045	\$ 7,443	\$ 7,347	\$ 16,141		\$ 16,141
Bluestem Middle School	(16,045)	1,804	-	(14,241)	-	(14,241)
Total District Activity Funds	\$ -	\$ 9,247	\$ 7,347	\$ 1,900	\$ -	\$ 1,900

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205

Notes to Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Bluestem Unified School District No. 205 (the District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management, who is responsible for their integrity and objectivity. These accounting policies conform to a comprehensive basis of accounting other than generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Reporting Entity

Bluestem Unified School District No. 205 Board of Education ("Board") is the basic level of government which has financial accountability and control over all activities related to the public school education in the City of Leon, Kansas. The Board receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since the seven Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14, which are included in the District's reporting entity.

Basis of Presentation

Fund Accounting - A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the fiscal year of 2010:

Governmental Funds

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Notes to Financial Statements
June 30, 2010

1. Summary of Significant Accounting Policies (continued)

Debt Service Funds - to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt.

Capital Projects Fund - to account for financial resources segregated for the acquisition of major capital facilities.

Basis of Accounting

Statutory Basis of Accounting. The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The District has approved a waiver from generally accepted accounting principles, allowed by the State of Kansas, which allows the District to report on the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America. The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205

Notes to Financial Statements

June 30, 2010

2. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute) and debt service funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205

Notes to Financial Statements

June 30, 2010

2. Budgetary Information (continued)

A legal operating budget is not required for capital projects, trust funds and the following special revenue funds:

Contingency Reserve Fund
Textbook Rental and Student Material Revolving Fund
Auditorium Renovation Fund
Federal Projects Funds
Gate Receipts
Gifts and Grants Fund
Rural School Achievement Grant

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

3. Interfund Transfers

Recurring annual transfers between budgetary funds for the purpose of shifting resources from the fund legally required to receive the revenue to the fund authorized to expend the revenue are as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Fund	At Risk (K-12) Fund	K.S.A. 72-6428	\$ 69,732
General Fund	Special Education Fund	K.S.A. 72-6428	520,000
General Fund	Vocational Education Fund	K.S.A. 72-6428	150,000
Supplemental General Fund	At Risk (K-12) Fund	K.S.A. 72-6428	5,000
Supplemental General Fund	Special Education Fund	K.S.A. 72-6428	153,073
Supplemental General Fund	Vocational Education Fund	K.S.A. 72-6428	125,651
Supplemental General Fund	Food Service Fund	K.S.A. 72-6428	17,816
Capital Improvement Fund	Capital Outlay Fund		62,560

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205

Notes to Financial Statements

June 30, 2010

4. Defined Benefit Pension Plan

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% (Tier 1) and 6% (Tier 2) of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 8.57% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. Kansas' contribution to KPERS for all Kansas public school employees for the years ending June 30, 2010, 2009 and 2008 were \$140,318,394, \$242,277,363 and \$220,815,154 respectively, equal to the required contributions for each year. Remaining balance due from the State for year ending June 30, 2010 of \$108,149,792 was received by July 9, 2010.

5. Compensated Absences

Vacation

Twelve month non-teacher personnel are provided vacation based on years of service. All earned vacation time is to be taken from July 1 to June 30 of each fiscal year and cannot be accumulated or carried forward. Hence, there is no estimated liability for accrued vacation pay at June 30, 2010.

Sick Leave

Full-time teachers contracted for twelve-month positions start each school year with ten days of sick leave with full pay. Teachers may accumulate unused sick leave to a total of 70 days. Classified personnel contracted for twelve-month positions start each school year with 9 days of sick leave with full pay and may accumulate to a total of 50 days. Although there is not a policy that states accrued sick leave will be paid to employees retiring or terminating, as a matter of past practice, some personnel requesting payment for their accumulated leave have been compensated for it.

The District's certified and classified personnel have an accumulation of 1,490 days of unused sick leave for an estimated liability of \$74,500.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Notes to Financial Statements
June 30, 2010

6. Deposits and Investments

Deposits

At June 30, 2010, the carrying amount of the District's deposits was \$1,721,729. The bank balance was \$2,259,341. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance \$250,000 was covered by FDIC insurance and the remaining \$2,009,341 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the District's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the district, the pledging bank, and the independent third-party bank holding the pledged securities.

Investments

Kansas statutes authorize the District to invest in U.S. Treasury bills and notes, repurchase agreements and the State Treasurer's investment pool. All investments must be insured, registered, or held by the District or its agent in the District's name. The District's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer bank's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer bank. Of the three risk categories, the investments classified in Risk Category 1 have the least risk to the District.

At June 30, 2010, the District had no investments required to be categorized in the risk categories discussed in the preceding paragraph.

7. Risk Management

The District is exposed to various risks for loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for all risks of loss.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205

Notes to Financial Statements

June 30, 2010

8. Subsequent Events

The District adopted FASB ASC 855, *Subsequent Events*, effective for financial periods ending after June 15, 2009. The objective of FASB ASC 855 is to establish general standards of accounting for and disclosure of events that occur after the year-end closing date but before the financial statements are issued or available to be issued. Subsequent events have been evaluated through January 6, 2011, which is the date the financial statements were available to be issued. There were no such events identified to be disclosed.

9. Capital Projects

Capital project authorization amounts compared with cash disbursements from inception are as follows:

	Project <u>Authorization</u>	Cash <u>Disbursements</u>
Energy Management and Improvements	\$1,553,190	\$1,553,190

10. Compliance with Kansas Statutes

Management is aware of no statutory violations for the year ended June 30, 2010.

11. Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d)

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) requires the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by the Statutes.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
GENERAL FUND
STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
Year Ended June 30, 2010

	<u>Budget</u>	<u>Statutory Transactions</u>	<u>Variance Favorable (Unfavorable)</u>
STATUTORY REVENUES:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 463,890	\$ 466,451	\$ 2,561
Delinquent tax	9,199	24,837	15,638
Mineral production tax	-	965	965
Federal Aid:			
Equalization aid	227,494	227,494	-
State Aid:			
Equalization aid	3,346,614	3,306,576	(40,038)
Special education aid	498,800	519,676	20,876
Reimbursements (net \$2,265 state aid, \$88 federal aid)	39,268	39,268	-
Total Statutory Revenues	<u>4,585,265</u>	<u>4,585,267</u>	<u>2</u>
EXPENDITURES:			
Instruction	2,275,000	2,174,409	100,591
Student support services	238,500	232,461	6,039
Instructional support services	261,200	262,890	(1,690)
General administration	308,100	235,026	73,074
School administration	437,200	334,677	102,523
Operation and maintenance	316,752	368,464	(51,712)
Student transportation services	312,360	237,606	74,754
Transfers to:			
At Risk (K-12) Fund	95,000	69,732	25,268
Driver Training	3,446	-	3,446
Special Education Fund	501,910	520,000	(18,090)
Vocational Education Fund	-	150,000	(150,000)
Adjustment to comply with legal max	(203,471)	-	(203,471)
Legal General Fund Budget	<u>4,545,997</u>	<u>4,585,265</u>	<u>(39,268)</u>
Adjustment for qualifying budget credits	39,268	-	39,268
Total Expenditures	<u>4,585,265</u>	<u>4,585,265</u>	<u>-</u>
Revenues Over (Under) Expenditures	-	2	2
MODIFIED UNENCUMBERED CASH, JULY 1, 2009	<u>-</u>	<u>-</u>	<u>-</u>
MODIFIED UNENCUMBERED CASH, JUNE 30, 2010	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
SUPPLEMENTAL GENERAL FUND
STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
Year Ended June 30, 2010

	<u>Budget</u>	<u>Statutory Transactions</u>	<u>Variance Favorable (Unfavorable)</u>
STATUTORY REVENUES:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 573,511	\$ 586,537	\$ 13,026
Delinquent tax	8,994	26,738	17,744
Motor vehicle tax	132,127	90,244	(41,883)
Federal Aid:			
Equalization aid	-	157,929	157,929
State Aid:			
Supplemental state aid	609,022	450,454	(158,568)
Total Statutory Revenues	<u>1,323,654</u>	<u>1,311,902</u>	<u>(11,752)</u>
EXPENDITURES:			
Instruction	160,000	744,769	(584,769)
School administration	52,000	-	52,000
Operations and maintenance	218,592	139,379	79,213
Student transportation services	93,000	126,214	(33,214)
Transfers to:			
At Risk (K-12) Fund	305,062	5,000	300,062
Food Service Fund	60,000	17,816	42,184
Special Education Fund	185,000	153,073	31,927
Vocational Education Fund	250,000	125,651	124,349
Total Expenditures	<u>1,323,654</u>	<u>1,311,902</u>	<u>11,752</u>
Revenues Over (Under) Expenditures	-	-	-
MODIFIED UNENCUMBERED CASH, JULY 1, 2009	<u>-</u>	<u>-</u>	<u>-</u>
MODIFIED UNENCUMBERED CASH, JUNE 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205

Notes to Financial Statements

Year Ended June 30, 2010

12. Long-term Debt

Changes in long-term liabilities for the District for the year ended June 30, 2010 were as follows:

	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds:										
Series 1999	3.50% to 6.0%	3/1/1999	\$ 6,780,000	9/1/2014	\$ 3,625,000	\$ -	\$ 3,625,000	\$ -	\$ -	\$ 70,762
Series 2009 Refunding	2.0% to 2.5%	9/1/2009	\$ 3,120,000	9/1/2014	-	3,120,000	-	-	3,120,000	34,519
QSCB Bonds:	1.86% to 5.4%	3/13/2010	\$ 1,300,000	5/13/2020	-	1,300,000	-	-	1,300,000	-
Capital Leases:										
Energy Equipment	4.33%	4/13/2007	\$ 872,512	4/13/2022	785,639	-	46,279	-	739,360	34,018
Bobcat	8.99%	10/30/2009	\$ 25,896	10/30/2010	-	25,896	3,325	-	22,571	-
Apple Computers	2.92%	6/12/2008	\$ 129,452	7/10/2011	94,692	-	30,043	-	64,649	4,716
Apple Computers	1.90%	10/16/2008	\$ 75,576	10/16/2011	43,576	-	13,774	-	29,802	2,336
Total Capital Leases					923,907	25,896	93,421	-	856,382	41,070
Total Contractual Indebtedness					4,548,907	4,445,896	3,718,421	-	5,276,382	146,351
Compensated absences	N/A	N/A	N/A	N/A	83,928	-	-	(9,428)	74,500	-
Total Long-Term Debt					<u>\$ 4,632,835</u>	<u>\$ 4,445,896</u>	<u>\$ 3,718,421</u>	<u>\$ (9,428)</u>	<u>\$ 5,350,882</u>	<u>\$ 146,351</u>

Annual Debt Service Requirements

	2011	2012	2013	2014	2015	2016-2020	2021-2025	Total
Principal:								
General obligation bonds	\$ 545,000	\$ 605,000	\$ 630,000	\$ 655,000	\$ 685,000	\$ -	\$ -	\$ 3,120,000
QSCB bonds	130,000	130,000	130,000	130,000	130,000	650,000	-	1,300,000
Capital leases	116,904	98,773	52,554	54,829	57,203	325,386	150,733	856,382
Total Principal Payments	791,904	833,773	812,554	839,829	872,203	975,386	150,733	5,276,382
Interest:								
General obligation bonds	63,588	52,087	38,950	24,494	8,562	-	-	187,681
QSCB bonds	48,685	46,267	43,212	39,468	35,126	93,379	-	306,137
Capital leases	37,960	32,393	27,743	25,467	23,093	76,095	9,859	232,610
Total Interest Payments	150,233	130,747	109,905	89,429	66,781	169,474	9,859	726,428
Total Principal and Interest	<u>\$ 942,137</u>	<u>\$ 964,520</u>	<u>\$ 922,459</u>	<u>\$ 929,258</u>	<u>\$ 938,984</u>	<u>\$ 1,144,860</u>	<u>\$ 160,592</u>	<u>\$ 6,002,810</u>

PETERSON, PETERSON & GOSS, L.C.

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OF COUNSEL
MARVIN W. NYE, C.P.A.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Bluestem Unified School District No. 205
Leon, Kansas

We have audited the basic financial statements of Bluestem Unified School District No. 205 as of and for the year ended June 30, 2010, and have issued our report thereon dated January 6, 2011. Our report disclosed that, as discussed in Note 1 to the financial statements, the District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the District's internal control over financial reporting.

Internal Control Over Financial Reporting (continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education and management of Bluestem Unified School District No. 205, others within the District, Kansas State Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Peterson Peterson & Sons LC

January 6, 2011

PETERSON, PETERSON & GOSS, L.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Bluestem Unified School District No. 205
Leon, Kansas

Compliance

We have audited the compliance of Bluestem Unified School District No. 205 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Bluestem Unified School District No. 205 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be, deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education and management of Bluestem Unified School District No. 205, others within the District, Kansas State Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

January 6, 2011

Peterson Peterson & Goss LC

BLUESTEM UNIFIED SCHOOL DISTRICT NO. 205
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Bluestem Unified School District No. 205.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Bluestem Unified School District No. 205 were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the report on compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance of the major federal award programs for Bluestem Unified School District No. 205 expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C of this schedule.
7. The programs tested as major programs included:

State Fiscal Stabilization Funds – 84.394
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Bluestem Unified School District No. 205 did not qualify to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

UNIFIED SCHOOL DISTRICT NO. 205
Schedule of Expenditures of Federal Awards
Year Ended June 30,2010

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity ID Number	Federal Expenditures	Award Amount by Cluster
U.S. Department of Agriculture:				
Passed-through Kansas Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	3529-3490	\$ 22,272	
National School Lunch Program	10.555	3530-3500	86,029	
Cash for Commodities	10.555	3530-3500	11,355	
Summer Food Service	10.559	3230-3020	<u>7,455</u>	
Total Child Nutrition Cluster				127,111
Passed-through South Central Kansas Education Service Center:				
Rural Utilities Service				
Distance Learning and Telemedicine Grant	10.855	722-A16	12,302	
Distance Learning and Telemedicine Grant	10.855	722-C16	<u>13,885</u>	
Total Rural Utilities Service				26,187
U.S. Department of Education:				
Rural Education Achievement Program	84.358		29,333	29,333
U.S. Department of Education:				
Passed-through Kansas Department of Education:				
School Preparedness	84.302	3056-3200	750	750
Title I, Part A Cluster:				
Title I, Low Income	84.010	3532-3520	76,885	
ARRA - Title I, Low Income	84.389	3532-3525	<u>600</u>	
Total Title I, Part A Cluster				77,485
Drug Free Schools and Communities	84.186	3795-3100	1,750	1,750
Title II-A, Improving Teacher Quality Cluster:				
Title II-A, Improving Teacher Quality	84.367	3526-3860	28,793	
Title II-A, Improving Teacher Quality, teacher training	84.367	3527-3870	<u>88</u>	
Total Title II-A, Improving Teacher Quality Cluster				28,881
Educational Technology State Grants Cluster:				
Title II-D, Technology Literacy	84.318	3233-3040	656	
ARRA - Title II-D, Technology Literacy	84.386	3233-3044	<u>1,613</u>	
Total Educational Technology State Grants Cluster				2,269
ARRA - State Fiscal Stabilization Funds - 2009	84.394	3790-3790	<u>385,423</u>	<u>385,423</u>
Total				<u>\$ 679,189</u>

The notes to the financial statements are an intergral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 205
Schedule of Expenditures of Federal Awards
Year Ended June 30,2010

Note 1 - Basis of Presentation

The schedule of expenditures of federal awards is presented using the accounting practice prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, the same as the financial statements accompanying this schedule. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

UNIFIED SCHOOL DISTRICT NO. 205
Summary of Prior Audit Findings
Year Ended June 30,2010

There are no prior audit findings.